

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 FPC-01 L-03 FEAE-00 /082 W

----- 048671

R 041600Z JUN 75

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 7126

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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EO 11652: N/A

TAGS: ENGR, NU

SUBJECT: PRIVATE SECTOR PROTESTS AGAINST NEW ELECTRICITY  
RATES CENSURED BY GON

1. SUMMARY. THE NICARAGUAN CHAMBER OF INDUSTRY (CADIN) HAS BEEN ARGUING WITH THE STATE POWER COMPANY (ENALUF) OVER INCREASES IN ELECTRICITY RATES SINCE LAST DECEMBER. THE CONTROVERSY HAS INVOLVED ATTACKS BY PRO-SOMOZA NEWSPAPER NOVEDADES ON THE THEN PRESIDENT OF CADIN (MANAGUA 0876 OF MARCH 4), A CLAIM BY CADIN THAT ENALUF HAD RENEGED ON PROMISE TO HOLD DOWN RATES TO AN AVERAGE OF 30 PERCENT AND MAXIMUM OF 38 PERCENT WITH ACTUAL INCREASES IN SOME CASES REACHING 150 PERCENT, AND MOST RECENTLY A CHARGE BY CADIN THAT GON CENSURED ITS PRESS STATEMENT ON INCREASED RATES. THERE IS STRONG AND GROWING RESENTMENT BY LOWER AND MIDDLE CLASS CONSUMERS WHO ARE NOW PAYING DOUBLE AND TRIPLE WHAT THEY PAID ONLY TWO MONTHS AGO (NOW AROUND \$150 PER MONTH FOR ELECTRICITY FOR A MIDDLE-CLASS RESIDENCE). END SUMMARY.

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2. IN NOVEMBER 1974, ENALUF ANNOUNCED IT WAS RAISING RATES AN AVERAGE OF 55 PERCENT WHICH LED TO THE INITIAL CADIN OBJECTION AND A MEETIN BETWEEN THE TWO ON DECEMBER 11 AT WHICH THE UTILITY PRESENTED A DOCUMENT JUSTIFYING THE INCREASE ON THE NEED FOR NEW INVESTMENT IN PLANT DURING 1975-79. (INCREASED FUEL COSTS HAD BEEN COMPENSATED BY EARLIER INCREASES OF 50 PERCENT). CADIN REPLIED TO THE DOCUMENT ON JANUARY 8, 1975, ARGUING BASICALLY THAT FINANCING NEW FACILITIES SHOULD BE DONE WITH LONG-TERM BORROWING AND IMPLYING THAT THE INVESTMENT PROGRAM WAS TOO AMBITIOUS, AND THAT THERE WAS ROOM FOR SAVINGS THROUGH INCREASED EFFICIENCY.

3. NEW RATES WERE PUBLISHED BY ENALUF ON FEBRUARY 14. RESIDENCES AND SMALL SHOPS PAY AN INCREASING RTE ACCORDING TO CONSUMPTION FROM THE QUIVALENT OF US\$.086 FOR THE FIRST 40 KWH TO US\$.10 FOR EACH KWH OVER 1000 CONSUMED MONTHLY. A FIXED CHARGE FOR PUBLIC LIGHTING WAS DOUBLED TO THE QUIVALENT OF US\$8.50 PER MONTH. LARGE INDUSTRY AND COMMERCE PAY A FIXED CHARGE MONTHLY FOR KW DEMEND (E.G. US\$5 PER KW UP TO 150 KW; \$1.43 EACH KW OVER 200 KW) PLUS A MINIMUM \$171 PER MONTH WHICH INCLUDES THE FIRST 2,000 KWH CONSUMPTION AND \$.043 FOR EACH ADDITIONAL KWH.

4. CADIN SURVEYED ITS MEMBERS AND PROTESTED TO ENALUF THAT SOME OF ITS MEMBERS REPORTED INCREASES OF UP TO 150 PERCENT IN MARCH BILLS AND IN MOST CASES BILLS HAD EXCEEDED 55 PERCENT. IT STATED THAT NATIONAL INDUSTRIES WERE SERIOUSLY AFFECTED, LOSING COMPETITIVE POSITIONS VIS-A-VIS INDUSTRIES IN OTHER CA COUNTRIES, AND THE INFLATIONARY CONSEQUENCES WERE DEPRESSING EVEN FURTHER DEMAND FOR NATIONAL INDUSTRIAL PRODUCTS. ON MAY 22, CADIN ISSUED A PRESS STATEMENT WITH SIX POINTS:

- A) UP TO OCTOBER 1974, ELECTRICITY RATES HAD INCREASED 50 PERCENT.
- B) TWO MONTHS LATER, ENALUF ANNOUNCED AN ADDITIONAL 55 PERCENT INCREASE.
- C) IN RESPONSE TO CADIN PROTEST, ENALUF JUSTIFIED THE INTIAL (50 PERCENT) INCREASE ON THE RISE OF PETROLEUM PRICES AND THE 55 PERCENT INCREASE WAS MADE ON CAPITAL NEEDS FOR EXPANSION.
- D) IN MEETING BETWEEN PRIVATE SECTOR AND ENALUF, COMPANY LIMITED OFFICIAL USE

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ANNOUNCED THAT INCREASES FOR INDUSTRY WOULD BE LESS THAN THE 55 PERCENT.

E) FROM THE PROTESTS OF ITS MEMBERS, CADIN HAS CONFIRMED THAT INCREASE FOR SMALL INDUSTRY HAS BEEN ON THE ORDER OF 80 PERCENT AND THAT, ADDED TO THE PREVIOUS INCREASE, WAS 270 PERCENT OVER THE ORIGINAL BASE.

F) CADIN PROTESTS ENERGETICALLY AND PUBLICALLY THAT INCREASES HAVE NOT BEEN ADEQUATELY JUSTIFIED, HARMED THE

ECONOMY AND CONSUMERS, AND ASKED FOR AN IMMEDIATE REVISION OF THE NEW TARIFFS. COVERING CIRCULAR OF PRESS STATEMENT SENT CADIN MEMBERS REFERRED TO PROMISE OF ENALUF TO HOLD DOWN INCREASE TO AVERAGE OF 30 PERCENT AND MAXIMUM OF 38 PERCENT.

5. IN A CIRCULAR TO MEMBERS OF MAY 27, CADIN ANNOUNCED THAT GON CENSOR FHAD PROHIBITED PUBLICATION OF PRESS STATEMENT AND THAT AN AUDIENCE HAD BEEN REQUESTED WITH THE PRESIDENT OF THE REPUBLIC AT WHICH CADIN WOULD PRESENT STUDIES ON THE IMPACT ON INDUSTRY OF THE NEW TARIFFS.

6. COMMENT: ENALUF IS HEADED BY "TIO LUZ" LUIS MANUEL DEBAYLE, 81-YEAR OLD PATRIARCH OF THE SOMOZA CLAN AND UNCLE OF PRESIDENT SOMOZA. THIS APPEARS TO BE THE REASON FOR CENSORSHIP OF CRITICISM OF THE NEW RATES AS THE ISSUE IS ECONOMIC AND IF THERE ARE PERSUASIVE REASONS FOR THE INCREASE THESE COULD BE MADE PUBLIC ON A TECHNICAL AND NON POLITICAL BASIS. THE ARBITRARY HANDLING OF THE COMPLAINT HAS CONVERSELY MADE IT A POLITICAL ISSUE AND ONE ON WHICH THE SOMOZA ADMINISTRATION CAN ONLY LOSE BY SECRECY AND CENSORSHIP. THE INCREASES HAVE BECOME A TOPIC OF OUTRAGEED CONVERSATION BY RATEPAYERS INCLUDING OFFICIALS OF THE GON; OBVIOUSLY REINFORCED WHEN THE MONTHLY BILLS COME DUE. UNHAPPINESS HAS BEEN MAGNIFIED BY THE GENERALLY POOR STATE OF UTILITY SERVICES INCLUDING WATER, TELEPHONE, AND FLOOD CONTROL IN THIS RAINY SEASON. THE RECENT IMPROVEMENT IN RELATIONS BETWEEN THE PRIVATE SECTOR AND THE GON STEMMING FROM THE OPEN DISCUSSION OF THE EMBARGO ON SOME STEEL IMPORTS, THE INVOLVEMENT OF THE PRIVATE SECTOR IN DISCUSSIONS OF THE PROPOSED NEW CA TREATY, AND BETTER COMMUNICATIONS GENERALLY MAY BE DISSIPATED BY GON REFUSAL TO PERMIT PUBLIC DISCUSSION ON SUCH LIMITED OFFICIAL USE

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A BASIC ECONOMIC FACTOR AS COSTS FOR ENERGY.  
SHELTON

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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
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